



Minnesota Gambling Control Board

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Annual Report of the Minnesota Gambling Control Board

**Fiscal Year
2008**

July 1, 2007 - June 30, 2008



Message from the Board Chair and Executive Director

December 31, 2008

The mission of the Gambling Control Board (Board) is to regulate lawful gambling in Minnesota, so that citizens are assured of the integrity of the industry and nonprofit organizations may continue to raise funds for charitable contributions.

The Board continues to provide education, outreach, and guidance to the lawful gambling industry through its ongoing programs, including:

- compliance reviews and site inspections,
- issuing licenses and permits,
- continuing education classes throughout the state,
- speaking engagements at state-level conventions,
- gambling manager seminars,
- an individualized mentoring program,
- a comprehensive web site, and
- a bi-monthly newsletter.

This annual report provides information for the fiscal year beginning July 1, 2007, through June 30, 2008. Portions of the data were obtained from the Minnesota Department of Revenue.

Respectfully submitted,

Peggy Moon, Chair

Tom Barrett, Executive Director

Gambling Control Board Members and Staff

The Board has the power to issue, suspend, and revoke licenses. Under Minnesota Statutes, section 349.11, the Board's purpose is "to regulate lawful gambling to prevent its commercialization, to insure the integrity of operations, and to provide for the use of net profits only for lawful purposes."

The Gambling Control Board is comprised of seven citizens. Five of the members are appointed by the Governor, and the Attorney General and Commissioner of Public Safety each appoint one member.

Members	City	Appointed by	Term
Peggy Moon, Chair	St. Joseph	Governor	7/05 to 6/09
Shirleen Hoffman, Vice-Chair	Delano	Governor	7/06 to 6/10
Gerald Dexter, Secretary	White Bear Lake	Governor	7/06 to 6/10
William Goede	Plainview	Governor	8/04 to 6/08
Tamara Garcia	Eden Prairie	Governor (resigned 2/08; vacancy 3/08 to 6/08)	8/04 to 6/08
Norm Pint	New Prague	Public Safety	7/07 to 6/11
Bill Gillespie	St. Paul	Attorney General	9/07 to 6/11

Executive Director

Tom Barrett

Board Counsel

Melissa Eberhart, Assistant Attorney General

FY 2008 expenditures: \$2,868,000
Board staff: 34 (FTE 32)

Statement of Cash Receipts and Industry Overview

Cash Receipts		
	Fee	Total Collected
Manufacturer license	\$9,000	\$ 108,000
Game approval/testing	25/100	162,050
Distributor license	6,000	72,000
Distributor salesperson license	100	16,500
Linked bingo game provider license	5,000	5,000
Organization license	350	426,300 ⁽¹⁾
Gambling manager license	100	142,800
Premises permit	150	468,000
Regulatory fee [0.1% (.001) of gross receipts		1,159,384
Exempt Permit (up to 5 days of activity, total prizes valued at \$50,000 or less)	50	147,100
	Total dedicated fees	\$2,707,134
Civil penalties and fines	vary	50,850
State gambling taxes, after refunds (collected by Department of Revenue)		42,691,000
	Total taxes, fees, and penalties	\$45,448,984

Except for civil penalties, fines, and taxes, receipts are deposited into an account dedicated for lawful gambling regulation.

⁽¹⁾Waivers of the organization license fee were granted to 19 organizations that expected to receive less than \$100,000 in gross annual receipts (\$6,650 waived)

Industry Overview

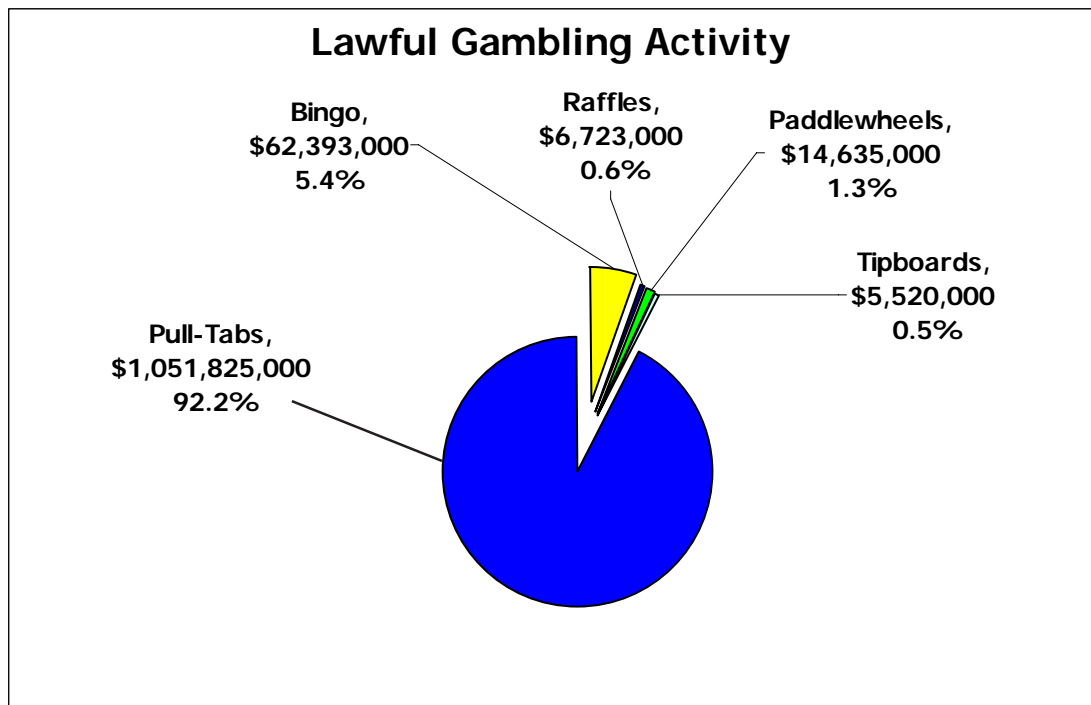
During fiscal year 2008, the Minnesota lawful gambling industry consisted of:

Licensees and Activities	Description
12 Manufacturers	Sold product to licensed distributors. [In FY08, 4,248 new games and product approved.]
13 Distributors	Sold product to licensed lawful gambling organizations.
158 Distributor salespersons	Persons licensed to sell gambling equipment to nonprofit organizations.
2 Linked bingo game providers	Providing linked bingo games to licensed organizations.
1,363 Nonprofit organizations	Nonprofit organizations licensed to conduct gambling at permitted premises.
	TYPE OF ORGANIZATION
	Fraternal - Eagles & Auxiliary, Moose, Elks, Knights of Columbus 177 13%
	Veterans - American Legion, VFW, & Auxiliaries 379 28%
	Religious - Church/Cathedral 30 2%
	Other nonprofit - Fire relief, hockey, Jaycees, Lions, baseball, athletic, rod & gun, snowmobile, business/chamber/development, sportsman, community, other 777 57%
	TOTAL 1,363 100%
1,395 Gambling managers	Members of licensed nonprofit organizations responsible for supervising organizations' lawful gambling operations.
3,000 Charitable gambling sites	Locations in Minnesota where lawful gambling was approved.
2,094 Exempt organizations	Nonprofit organizations that applied for authorization to conduct limited gambling of up to five days per calendar year conducted 2,966 activities, with gross receipts of \$31,396,000.
	Exempt activity Gross receipts Expense Profit
	Raffle \$29,505,000 \$12,951,000 \$16,554,000
	Pull-tabs 897,000 638,000 259,000
	Bingo 820,000 308,000 512,000
	Paddlewheels 131,000 68,000 63,000
	Tipboards 43,000 24,000 19,000
	TOTAL \$31,396,000 \$13,989,000 \$17,407,000
294 Excluded organizations	Nonprofit organizations that applied for authorization to conduct excluded bingo. Excluded bingo is conducted for four or fewer events, or conducted up to 12 consecutive days in conjunction with a county fair, civic celebration, or state fair.

Lawful Gambling Statistics

Fiscal Year Summary

ACTIVITY	Gross Receipts (sales)		Prizes Paid	Net Receipts (gross less prizes)		% Payout	
	FY 2008	% Change from FY07	FY 2008	FY 2008	% Change from FY07	FY08	FY07
Pull-tabs	1,051,825,000	-10.3	867,337,000	184,488,000	-10.9	82.5	82.3
Bingo	62,393,000	-3.7	48,228,000	14,165,000	-9.5	77.3	75.8
Paddlewheels	14,635,000	-11.5	10,847,000	3,788,000	-5.5	74.1	75.7
Raffles	6,723,000	5.8	3,348,000	3,375,000	9.7	49.8	51.6
Tipboards	5,520,000	3.1	3,831,000	1,689,000	3.9	69.4	69.6
Interest income	347,000	3.9	- 0 -	347,000	3.9		
TOTALS	\$1,141,443,000	-9.8	\$ 933,591,000	\$ 207,852,000	-10.3	81.8	81.7



Ten-Year Comparison of Receipts and Prizes Paid with percent change from previous fiscal year

FY	Gross Receipts		Prizes Paid		Net Receipts	
08	\$1,141,443,000	-9.8%	\$ 933,591,000	-9.7%	\$207,852,000	-10.3%
07	1,265,707,000	-3.3%	1,033,863,000	-3.3%	231,844,000	-3.0%
06	1,308,264,000	-4.8%	1,069,325,000	-4.8%	238,939,000	-4.8%
05	1,373,783,000	-3.1%	1,122,783,000	-3.3%	251,000,000	-2.5%
04	1,418,109,000	0.0%	1,160,753,000	-0.3%	257,356,000	1.5%
03	1,418,200,000	-1.2%	1,164,591,000	-1.0%	253,609,000	-2.1%
02	1,435,426,000	-0.1%	1,176,268,000	0.2%	259,158,000	-1.1%
01	1,436,603,000	-4.2%	1,174,490,000	-4.2%	262,113,000	-4.4%
00	1,500,042,000	3.5%	1,225,813,000	3.8%	274,229,000	2.2%
99	1,449,055,000	3.0%	1,180,608,000	3.1%	268,447,000	2.6%

Lawful Purpose Expenditures

Proceeds from lawful gambling may be used for lawful purpose expenditures (contributions) in the following categories.



Youth activities



Wildlife management projects, and Grooming and maintaining snowmobile and all-terrain vehicle trails approved by the Department of Natural Resources



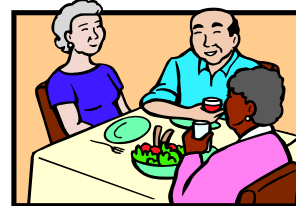
Recognition of military service



Scholarship funds, and private or public nonprofit educational institutions



Board-approved repair and maintenance projects of organizations' buildings



Congregate dining, nutritional programs, or food shelves for the disabled or persons age 62 and older

Programs and projects by the United States, the state of Minnesota, or local units of government



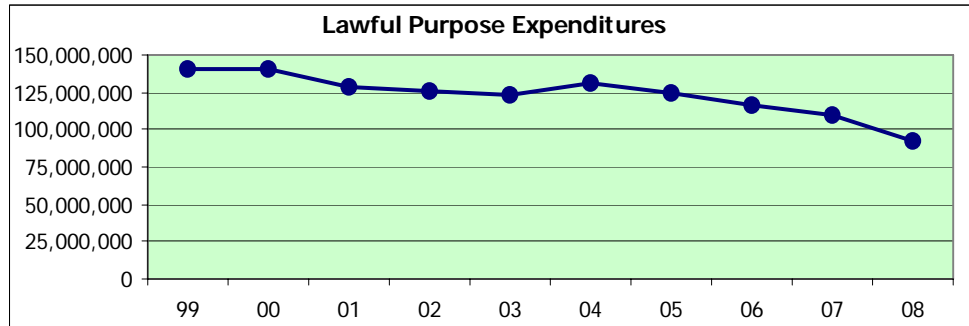
Other Lawful Purpose Expenditure Categories

- Community arts organizations or program sponsorships
- Religious purposes
- Donations to or expenditures by nonprofit organizations designated by the Internal Revenue Service as 501(c)(3) organizations or as 501(c)(4) festival organizations
- Relieving effects of poverty, homelessness, or disabilities
- Treatment for compulsive gambling
- Recognition of humanitarian service
- Real estate taxes
- State, local, and federal gambling taxes; state lawful gambling license & regulatory fees
- Specific utility costs by licensed veterans and fraternal organizations
- Membership events by licensed veterans organizations

Lawful Purpose Expenditures

Ten-Year Comparison

08	\$ 92,311,000
07	\$110,144,000
06	\$116,011,000
05	\$124,974,000
04	\$130,944,000
03	\$123,138,000
02	\$126,514,000
01	\$129,153,000
00	\$140,841,000
99	\$141,071,000



Lawful Purpose Expenditures

	FY 2008	FY 2007	% Change
Charitable Contributions	\$ 49,620,000	\$ 61,160,000	-18.9
State Gambling Taxes Paid	42,691,000	48,984,000	-12.8
Gross receipts state tax	17,702,000	19,854,000	-10.8
Net receipts state tax	1,835,000	1,954,000	-6.1
Combined receipts state tax	23,154,000	27,176,000	-14.8
TOTALS	\$ 92,311,000	\$110,144,000	-16.2

State Gambling Taxes

	<u>Taxes Paid</u>	<u>Refund</u>	<u>Taxes After Refund</u>
08	\$50,019,000	\$7,328,000	\$42,691,000
07	56,461,000	7,477,000	48,984,000
06	58,519,000	7,381,000	51,138,000
05	61,621,000	7,333,000	54,288,000
04	63,539,000	6,900,000	56,639,000
03	62,698,000	6,566,000	56,132,000
02	62,655,000	6,232,000	56,423,000
01	62,147,000	6,246,000	55,901,000
00	68,765,000	6,209,000	62,556,000
99	68,709,000	6,088,000	62,621,000

The three state gambling taxes included as lawful purpose expenditures are:

Gross Receipts Tax

1.7 percent of the gross receipts on pull-tab and tipboard games.

Net Receipts Tax

8.5 percent on the net receipts on bingo, raffles, and paddlewheels.

Combined Receipts Tax

A progressive tax calculated on the gross receipts from pull-tab games, tipboards, and interest.

Allowable Expenses

An allowable expense is an expense or a proportion of an expense directly related to the conduct of lawful gambling. Organizations are allowed to spend up to 60 percent of net receipts toward these types of operating costs. A higher limit is authorized for the net receipts from bingo.

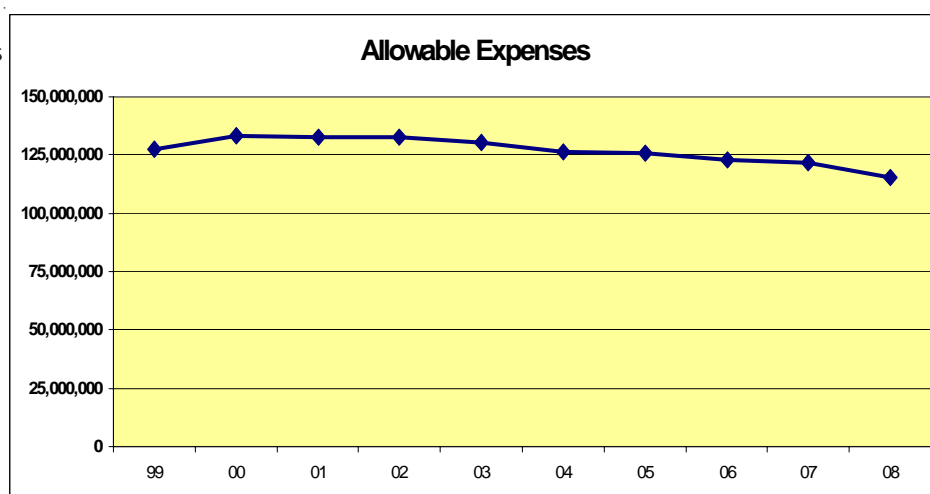
Allowable expenses as reported to the Department of Revenue included:

Operating Cost	FY08	FY07	% Change
Compensation and payroll taxes	\$56,782,000	\$59,308,000	- 4.3
Gambling equipment (pull-tabs, bingo paper, tipboards, paddletickets)	20,342,000	22,441,000	- 9.4
Rent	21,165,000	23,041,000	-8.1
Accounting and legal work	6,993,000	6,549,000	6.8
Office supplies and miscellaneous expenses	5,627,000	5,479,000	2.7
Gambling device purchase, storage, maintenance (paddlewheel & table,bingo number selection device, pull-tab dispensing device)	2,519,000	2,439,000	3.3
Penalty and interest paid	59,000	40,000	47.5
Cash shortages (see next page)	1,403,000	1,476,000	-4.9
Utilities (premises owned by organization)	645,000	730,000	-11.6
Bond; local government investigation fee	311,000	328,000	-5.2
Advertising	467,000	526,000	-11.2
Theft and liability insurance	710,000	920,000	-22.8
Expenses were offset by reimbursements from a source of nongambling funds for the following:			
Excess cash shorts	(640,000)	(688,000)	-7.0
Negative expense calculations	(842,000)	(889,000)	-5.3

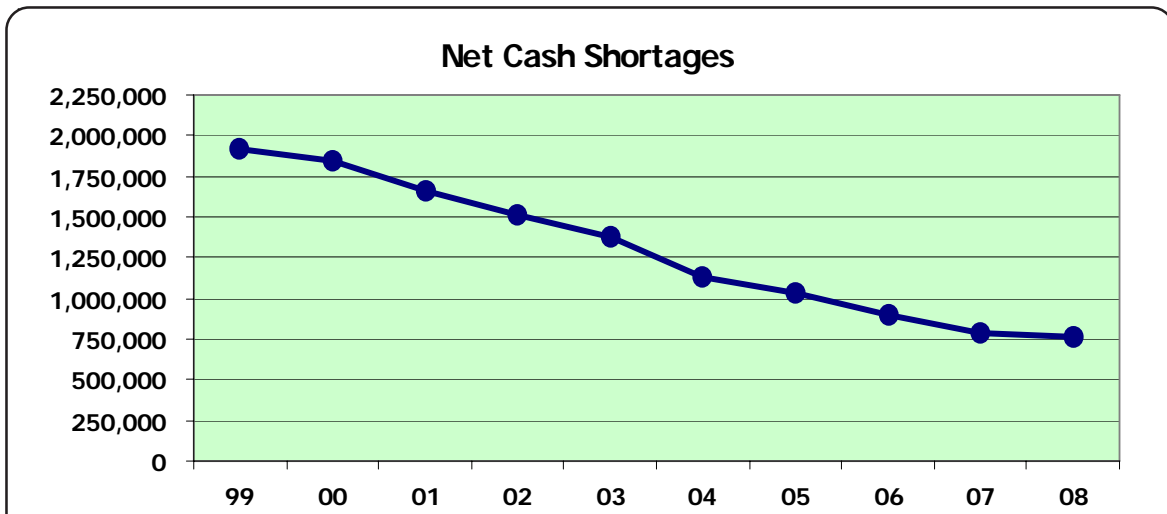
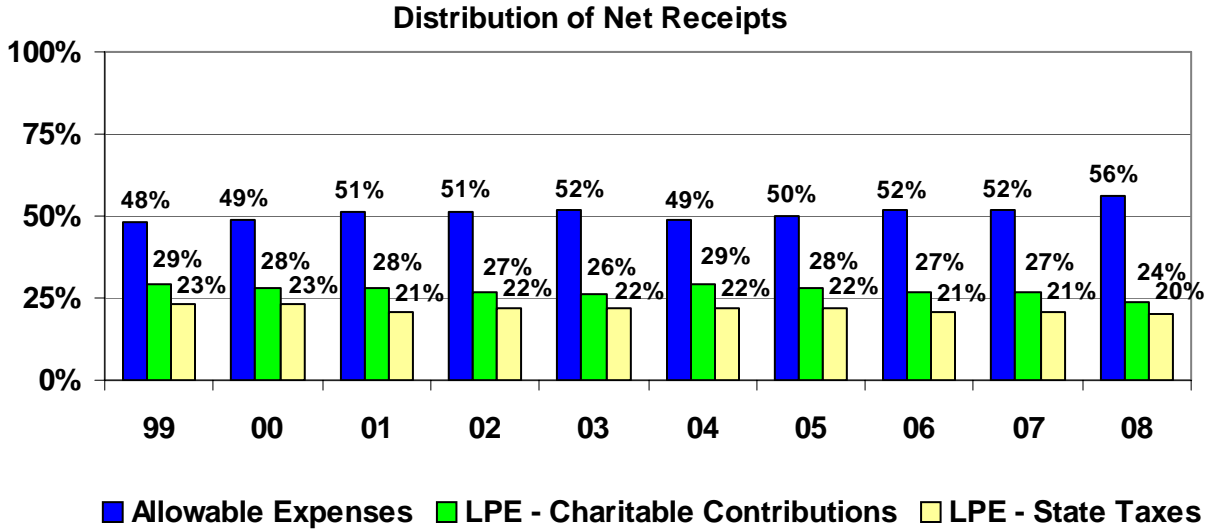
- Rent is all-inclusive (utilities, etc.) and for bar operations, the lessor must reimburse all cash shortages.
- Lessors and their employees may not be paid compensation.
- License and permit fees paid to the state are reported as a lawful purpose instead of as an allowable expense.

Ten-Year Comparison of Allowable Expenses

08	\$115,541,000
07	\$121,700,000
06	\$122,928,000
05	\$126,026,000
04	\$126,412,000
03	\$130,471,000
02	\$132,644,000
01	\$132,960,000
00	\$133,388,000
99	\$127,376,000



Lawful Gambling Statistics



FY Net Cash Shortages

08	\$763,000
07	788,000
06	896,000
05	1,038,000
04	1,132,000
03	1,383,000
02	1,513,000
01	1,656,000
00	1,840,000
99	1,924,000

A cash shortage is the difference between the reported net receipts for a game and the actual cash on hand to be deposited for that game.

For reporting purposes, shortages may not exceed three-tenths of one percent (.3%) of gross receipts (sales) and are treated as an allowable expense.

For bar operation leases, cash shortages must be reimbursed by the lessor.

The Board closely monitors cash shortages, because shortages may indicate theft or mismanagement.

Lawful Gambling Activity within a County

COUNTY	G R O S S			N E T (after prizes)		
	RECEIPTS FY08	RECEIPTS FY07	% CHANGE since FY07	RECEIPTS FY08	RECEIPTS FY07	% CHANGE since FY07
Aitkin	12,346,000	13,182,000	-6.3%	2,094,000	2,299,000	-8.9%
Anoka	105,576,000	111,179,000	-5.0%	18,873,000	20,239,000	-6.7%
Becker	10,222,000	11,927,000	-14.3%	1,757,000	2,113,000	-16.8%
Beltrami	7,245,000	7,603,000	-4.7%	1,239,000	1,313,000	-5.6%
Benton	11,283,000	12,435,000	-9.3%	2,249,000	2,443,000	-7.9%
Big Stone	550,000	682,000	-19.4%	107,000	133,000	-19.5%
Blue Earth	12,641,000	13,438,000	-5.9%	2,303,000	2,570,000	-10.4%
Brown	4,392,000	4,793,000	-8.4%	898,000	957,000	-6.2%
Carlton	9,092,000	10,612,000	-14.3%	1,420,000	1,766,000	-19.6%
Carver	12,501,000	14,523,000	-13.9%	2,280,000	2,610,000	-12.6%
Cass	9,717,000	10,740,000	-9.5%	1,834,000	1,974,000	-7.1%
Chippewa	4,142,000	4,787,000	-13.5%	688,000	811,000	-15.2%
Chisago	12,201,000	13,043,000	-6.5%	2,140,000	2,370,000	-9.7%
Clay	11,063,000	13,383,000	-17.3%	2,081,000	2,505,000	-16.9%
Clearwater	3,262,000	3,433,000	-5.0%	585,000	647,000	-9.6%
Cook	90,000	129,000	-30.2%	22,000	33,000	-33.3%
Cottonwood	1,450,000	1,562,000	-7.2%	293,000	313,000	-6.4%
Crow Wing	30,393,000	34,131,000	-11.0%	5,502,000	6,177,000	-10.9%
Dakota	61,942,000	68,007,000	-8.9%	11,645,000	12,737,000	-8.6%
Dodge	3,098,000	3,499,000	-11.5%	599,000	680,000	-11.9%
Douglas	18,696,000	20,414,000	-8.4%	2,957,000	3,177,000	-6.9%
Faribault	4,345,000	4,664,000	-6.8%	816,000	868,000	-6.0%
Fillmore	5,643,000	7,308,000	-22.8%	1,035,000	1,379,000	-24.9%
Freeborn	6,186,000	6,920,000	-10.6%	1,249,000	1,382,000	-9.6%
Goodhue	7,810,000	8,051,000	-3.0%	1,411,000	1,482,000	-4.8%
Grant	2,692,000	3,038,000	-11.4%	409,000	512,000	-20.1%
Hennepin	148,246,000	155,276,000	-4.5%	26,482,000	27,804,000	-4.8%
Houston	5,579,000	6,345,000	-12.1%	1,058,000	1,183,000	-10.6%
Hubbard	10,779,000	11,562,000	-6.8%	1,408,000	1,620,000	-13.1%
Isanti	8,107,000	9,165,000	-11.5%	1,444,000	1,634,000	-11.6%
Itasca	12,744,000	15,022,000	-15.2%	2,379,000	2,764,000	-13.9%
Jackson	436,000	594,000	-26.6%	90,000	124,000	-27.4%
Kanabec	4,072,000	5,083,000	-19.9%	775,000	947,000	-18.2%
Kandiyohi	6,823,000	7,876,000	-13.4%	1,217,000	1,436,000	-15.3%
Kittson	1,139,000	1,683,000	-32.3%	189,000	290,000	-34.8%
Koochiching	4,891,000	5,538,000	-11.7%	883,000	978,000	-9.7%
Lac qui Parle	1,204,000	1,680,000	-28.3%	235,000	321,000	-26.8%
Lake	2,929,000	3,577,000	-18.1%	511,000	623,000	-18.0%
Lake of the Woods	3,742,000	4,327,000	-13.5%	657,000	765,000	-14.1%
Le Sueur	7,125,000	8,738,000	-18.5%	1,359,000	1,619,000	-16.1%
Lincoln	654,000	707,000	-7.5%	147,000	174,000	-15.5%
Lyon	2,551,000	3,626,000	-29.6%	506,000	710,000	-28.7%
Mahnomen	80,000	467,000	-82.9%	10,000	61,000	-83.6%
Marshall	4,813,000	5,092,000	-5.5%	758,000	811,000	-6.5%
Martin	6,222,000	6,041,000	3.0%	1,056,000	1,058,000	-0.2%

Lawful Gambling Activity within a County

COUNTY	G R O S S			N E T (after prizes)		
	RECEIPTS		% CHANGE since FY07	RECEIPTS		% CHANGE since FY07
	FY08	FY07		FY08	FY07	
McLeod	10,296,000	11,521,000	-10.6%	1,947,000	2,142,000	-9.1%
Meeker	4,799,000	5,676,000	-15.5%	966,000	1,120,000	-13.8%
Mille Lacs	12,175,000	13,965,000	-12.8%	2,312,000	2,565,000	-9.9%
Morrison	18,020,000	19,390,000	-7.1%	3,158,000	3,449,000	-8.4%
Mower	8,766,000	10,555,000	-16.9%	1,750,000	2,122,000	-17.5%
Murray	984,000	1,219,000	-19.3%	191,000	249,000	-23.3%
Nicollet	5,091,000	5,739,000	-11.3%	1,042,000	1,202,000	-13.3%
Nobles	1,960,000	2,247,000	-12.8%	413,000	474,000	-12.9%
Norman	1,287,000	1,520,000	-15.3%	207,000	249,000	-16.9%
Olmsted	17,252,000	18,748,000	-8.0%	3,626,000	4,054,000	-10.6%
Otter Tail	18,647,000	22,041,000	-15.4%	3,271,000	3,864,000	-15.3%
Pennington	5,665,000	6,028,000	-6.0%	1,024,000	1,093,000	-6.3%
Pine	8,163,000	9,987,000	-18.3%	1,514,000	1,849,000	-18.1%
Pipestone	582,000	386,000	50.8%	121,000	90,000	34.4%
Polk	17,721,000	20,825,000	-14.9%	2,877,000	3,381,000	-14.9%
Pope	4,996,000	5,233,000	-4.5%	898,000	924,000	-2.8%
Ramsey	93,442,000	100,830,000	-7.3%	18,147,000	20,253,000	-10.4%
Red Lake	2,038,000	2,061,000	-1.1%	347,000	348,000	-0.3%
Redwood	1,838,000	2,049,000	-10.3%	374,000	405,000	-7.7%
Renville	3,355,000	3,593,000	-6.6%	613,000	663,000	-7.5%
Rice	11,506,000	13,048,000	-11.8%	2,367,000	2,642,000	-10.4%
Rock	984,000	1,420,000	-30.7%	207,000	267,000	-22.5%
Roseau	5,132,000	5,848,000	-12.2%	905,000	999,000	-9.4%
Scott	17,402,000	18,207,000	-4.4%	3,260,000	3,318,000	-1.7%
Sherburne	23,193,000	27,272,000	-15.0%	3,953,000	4,671,000	-15.4%
Sibley	3,953,000	4,418,000	-10.5%	793,000	842,000	-5.8%
St. Louis	46,865,000	55,823,000	-16.0%	7,793,000	9,192,000	-15.2%
Stearns	44,623,000	50,168,000	-11.1%	8,871,000	10,255,000	-13.5%
Steele	9,521,000	10,504,000	-9.4%	1,817,000	2,004,000	-9.3%
Stevens	1,840,000	2,275,000	-19.1%	353,000	420,000	-16.0%
Swift	4,365,000	4,432,000	-1.5%	826,000	829,000	-0.4%
Todd	11,263,000	11,666,000	-3.5%	2,047,000	2,075,000	-1.3%
Traverse	339,000	440,000	-23.0%	67,000	77,000	-13.0%
Wabasha	6,463,000	8,133,000	-20.5%	1,246,000	1,549,000	-19.6%
Wadena	4,552,000	4,741,000	-4.0%	724,000	766,000	-5.5%
Waseca	4,464,000	4,795,000	-6.9%	901,000	932,000	-3.3%
Washington	39,168,000	45,400,000	-13.7%	7,580,000	8,611,000	-12.0%
Watonwan	3,465,000	3,709,000	-6.6%	641,000	647,000	-0.9%
Wilkin	838,000	824,000	1.7%	152,000	142,000	7.0%
Winona	13,934,000	15,860,000	-12.1%	2,728,000	3,129,000	-12.8%
Wright	41,805,000	47,186,000	-11.4%	6,801,000	7,736,000	-12.1%
Yellow Medicine	1,104,000	1,001,000	10.3%	250,000	191,000	30.9%
TOTAL	1,134,570,000	1,256,665,000	-9.7%	206,730,000	230,202,000	-10.2%

NOTE: Receipts are based on **sites** located within a county. Variances between the above totals and those listed on page 5 are due to rounding, reports being generated at different times, and unreconciled returns (G1 & Sched. A).

Local Unit of Government

LOCAL GAMBLING TAX

A city or county may impose a local gambling tax, only if they do not charge an investigation fee or other local taxes on lawful gambling. The tax, up to 3% per year, may be imposed only if the amount is necessary to cover the costs to regulate gambling in their jurisdiction. A report must be submitted to the Gambling Control Board by March 15 each year. The following cities reported information for 2007.

City	Rate	Collected	City	Rate	Collected
Austin	0.50%	4,978.24	Minneapolis	3%	148,212.71
Bloomington	0.25%	5,550.72	North Mankato	3%	13,008.51
Duluth	3%	74,473.00	Owatonna	3% (to \$500)	5,000.00
East Bethel	3%	16,804.06	Roseville	3%	89,724.56
Fridley	3%	80,846.34	Saint Paul	2.5%	132,851.00
Lilydale	3%	536.79	Shoreview	3%	4,817.82
Lino Lakes	3%	952.15	Spring Lake Park	3%	60,314.00
Madison Lake	3%	902.71	White Bear Lake	2%	29,879.00
Mankato	3%	52,422.09	Worthington	3%	6,725.00
Maple Grove	0.50%	5,142.57	Total collected		\$736,210.37
Mendota	2%	3,069.00			

The following cities reported no tax imposed in 2007 but maintained an existing balance: Eden Prairie, Little Canada, Plymouth, and St. Louis Park.

LAWFUL PURPOSE CONTRIBUTIONS TO LOCAL UNITS OF GOVERNMENT

VOLUNTARY A-10 LPE CONTRIBUTIONS

- Organizations may provide voluntary contributions to units of government (under lawful purpose code A-10) for government programs and projects of the United States, the state of Minnesota, or local units of government.
- The city or county is not required to report the receipt of these contributions to the Board.

10% FUND CONTRIBUTIONS, WHEN MANDATED BY ORDINANCE

As established by ordinance, a city or county (not a township) may require an organization to contribute up to 10% per year of net profits to a fund that the city or county administers.

- The city or county may only spend the fund for charitable contributions (Minn. Stat. 349.12, subd. 7a), or for police, fire, and other emergency or public safety-related services, equipment, and training.
- The fund may not be used for the payment of pension obligations or general government functions.
- A licensed organization that contributes to the 10% fund may not be a beneficiary of the fund.
- A city or county that has a 10% fund must submit a report to the Gambling Control Board by March 15.

In fiscal year 2008, a total of \$8,804,000 was contributed to:

- **units of government for voluntary contributions as allowed under code A-10, and**
- **91 cities for 10% fund contributions mandated by city ordinance.**

Allowable Expenses

Percentage allowed

For the period of **July 1, 2008 to June 30, 2009**, the percent of gross profits that may be used for allowable expenses was temporarily increased to:

- 75% for bingo (currently 70%), and
- 65% for all others forms of lawful gambling (currently 60%).

[Minn. Stat. 349.15, Subdivision 1]

Penalty imposed violation

If an organization exceeds the expense limits (with a negative balance at the end of the 2-year license period after applying any carryforward amount), the Board may:

- suspend the organization's license, or
- impose a civil penalty as follows:
 - (1) up to 5% of the reimbursement amount for the first violation;
 - (2) up to 10% of the reimbursement amount for a second consecutive violation; and
 - (3) up to 25% of the reimbursement amount for subsequent consecutive violations.

[Minn. Stat. 349.15, Subd. 5, paragraph (a)]

In determining any suspension or penalty, the Board must consider any unique factors or extraordinary circumstances that directly caused the organization to exceed the expense limits. Those factors or circumstances include, but are not limited to:

- the purchase of capital assets necessary to conduct lawful gambling;
- road or other construction causing impaired access to the premises; and
- flood, tornado, or other catastrophe that had a direct impact on the continuing lawful gambling operation. *[Minn. Stat. 349.15, Subd. 5, paragraph (b)]*

The civil penalty imposed by the Board may exceed \$500 for violation of the expense limits. *[Minn. Stat. 349.15, Subd. 5, paragraph (c)]*

Delinquent organizations

If a distributor or linked bingo game provider does not receive payment in full from an organization within **30 days** of the day immediately following the date of the invoice, the distributor or linked bingo game provider must notify the Board in writing of the delinquency on the next business day. Previously the time allowed for receipt of the payment by the distributor was 35 days. *[Minn. Stat. 349.191, Subdivision 1a, paragraph (a)]*

Bingo - Effective May 2, 2008



Bar bingo - The lessor's immediate family and lessor's employees may participate in bar bingo if they are not involved with the sale or operation of bar bingo.

NOTE: The lessor is still prohibited from participating in any lawful gambling.

[Minn. Stat. 349.17, Subdivision 7]

Linked bingo game - An electronic bingo device may be used for a linked bingo game. *[Minn. Stat. 349.17, Subdivision 8, paragraph (c)]*

Progressive bingo game - The annual prize limit of \$48,000 for progressive bingo games was removed. *[Minn. Stat. 349.211, Subdivision 2]*

Loan of certain bingo equipment allowed - An organization authorized to conduct bingo by the Board may loan bingo hard cards and devices for selecting bingo numbers to another organization authorized to conduct bingo.

[Minn. Stat. 349.161, Subdivision 1]

Legislative Changes

Pull-tab, Tipboard, and Paddlewheel Games - Effective May 2, 2008

Cash banks Language was clarified to allow a licensed organization to commingle cash banks for all pull-tab deals played from a **pull-tab dispensing device**.
[Minn. Stat. 349.19, Subdivision 10]

Prizes; payouts The maximum prize which may be awarded for any single pull-tab or tipboard ticket is:

- \$599 for games with \$2 and under tickets;
- \$899 for games with \$3 tickets;
- \$1,199 for games with \$4 tickets; and
- \$1,499 for games with \$5 tickets.

[Minn. Stat. 349.211, Subdivisions 2a and 2c]

Prize payout limits for pull-tab or tipboard deals were clarified to pertain to "games," not "deals" (due to cumulative games being allowed). *[Minn. Stat. 349.2113]*

Games with 32 numbers or tickets A technical change pertaining to paddlewheels and tipboards made statutory language consistent, as previous language in some sections referred to 30 numbers or tickets and in other sections referred to 32 numbers or tickets.
[Minn. Stat. 349.18, Subdivision 1, paragraph (i) and 349.211, Subdivision 4, paragraph (b)]

Promotional Tickets - Effective May 2, 2008

Promotional tickets are gambling equipment

- The definition of "gambling equipment" is expanded to include "**promotional tickets that mimic a pull-tab or tipboard**." *[Minn. Stat. 349.12, Subdivision 18]*
- The definition of "promotional ticket" now clarifies that a promotional ticket is a pull-tab or tipboard ticket "**created and printed by a licensed manufacturer**" with the words "no purchase necessary" and "for promotional use only" and for which no consideration is given. *[Minn. Stat. 349.12, Subdivision 31]*
- Promotional tickets may be **sold by a licensed distributor** to any person for use in Minnesota. *[Minn. Stat. 349.161, Subdivision 5]*

Raffle Prize Limits - Effective May 2, 2008

No annual limit The Board may not impose an **annual** limit on the value of raffle prizes awarded by a licensed organization. *[Minn. Stat. 349.211, Subdivision 2d and Subdivision 3]*

The Board's rule (Minnesota Rule 7861.0260, Subpart 4C) which imposed an annual limit of \$100,000 each calendar year for raffle prizes awarded by a **licensed organization** is therefore obsolete.

Individual raffle prize limit The total value of an individual raffle prize awarded by a licensed organization may not exceed \$50,000. *[Minn. Stat. 349.211, Subdivision 2d]*

Continuing Education Requirements - Effective May 2, 2008

New gambling managers	A new gambling manager must have received training within the <i>last six months</i> before being issued a new license. In the case of the death, disability, <i>resignation</i> , or termination of a gambling manager, a replacement gambling manager must receive the training within 90 days of being issued a license. [Minn. Stat. 349.167, Subdivision 4, paragraph (1); and Minn. Stat. 349.167, Subdivisions 2 and 7]
Licensed gambling managers	Each gambling manager must receive continuing education training at least once during each calendar year , instead of once during each license year. [Minn. Stat. 349.167, Subdivision 4, paragraph (2)]
Sanction for failure to attend class	The Board may summarily suspend the license of a gambling manager who fails to attend a class each calendar year. The suspension of a gambling manager's license may be kept in effect until the gambling manager passes an examination prepared and administered by the Board. The examination does not qualify as continuing education credit for the next calendar year. [Minn. Stat. 349.1641] REMINDER: If a gambling manager's license is suspended, the organization must cease gambling until the gambling manager passes the required examination.

Delinquent Distributors - Effective May 2, 2008

Pay in 30 days	If a manufacturer does not receive payment in full from a distributor within 30 days of the day immediately following the date of invoice, the manufacturer must notify the Board in writing of the delinquency on the next business day. [Minn. Stat. 349.191, Subdivision 1b, paragraph (a)]
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Lawful Gambling Study and Report

- The Gambling Control Board is required to review operational and regulatory procedures, accounting functions, tax structure, and recent trends in lawful purpose contributions and allowable expenses incurred by licensed charitable organizations relating to lawful gambling activities.
- The Board must seek public input including comment from licensees and professionals working in the lawful gambling industry.
- The Board must provide a report with recommendations and proposed legislation, if any, to the chairs of the legislative standing committees with jurisdiction over lawful gambling by January 15, 2009.

Lawful Gambling Rules

The last rules process initiated by the Board was completed in 2007. Those rule changes became effective on March 19, 2007. Legislation was passed in 2007 and 2008 (*Minnesota Statutes* section 349) that will require rule changes in the future to eliminate obsolete rules. Because of the Lawful Gambling Study/Report that will be provided to the Legislature (by January 15, 2009), the Board will wait until the 2009 legislative session is completed before initiating any further rule changes. The Board's rulemaking docket and other rule related notices can be accessed at www.gcb.state.mn.us.

Education Program

An integral part of the Board's mission is educating the lawful gambling industry. To ensure the integrity of the industry, education is provided to organizations through the following opportunities.

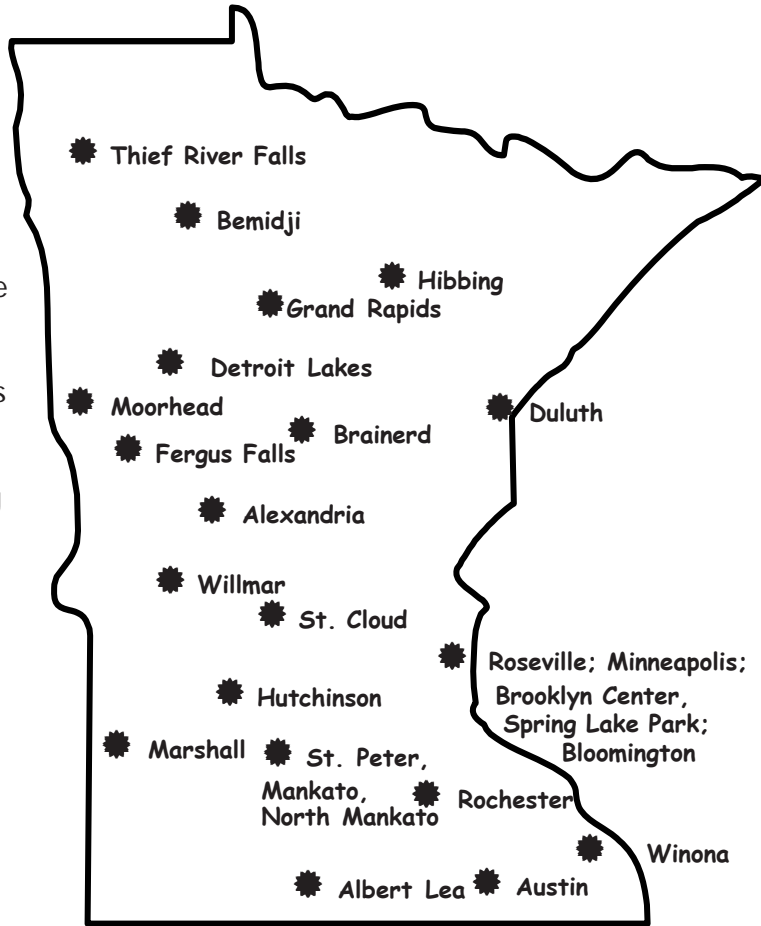
Continuing Education Classes Speaking Engagements

Gambling managers are required to attend one class each year.

Continuing education classes are conducted at various locations throughout the state free of charge and are open to the public. The chief executive officer, members, and employees of the organizations are invited as well.

During the fiscal year, 88 continuing education classes were conducted.

Staff also participated in speaking engagements throughout the state at conferences and conventions, such as American Legion, VFW, Eagles, and Lions.



Other Education Programs

Gambling Manager Seminars

Gambling manager seminars are conducted each month by Board staff. Each seminar consisted of two days of training and included information on statutes, rules, conduct of lawful gambling, internal controls, reporting and licensing requirements, and the organization's responsibilities.

Mentoring

The Board's mentoring program provides one-on-one training to organizations on how to properly manage their gambling operation and comply with all reporting requirements. The program also provides guidance to licensed organizations that have experienced serious operational difficulties. New organizations or existing organizations with a new gambling manager may voluntarily participate in this program.

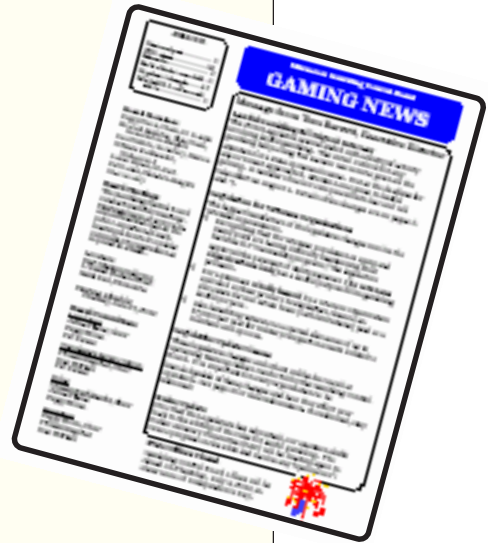
Gaming News

The Board publishes the bi-monthly *Gaming News* newsletter on its web site at www.gcb.state.mn.us. The newsletter is mailed to all licensed gambling managers. Subscriptions to the newsletter are available through Minnesota's Bookstore.

Gaming News provides up-to-date information on compliance, licensing, and education issues.

Gaming News also includes information on legislative and rule changes, scheduled continuing education classes, forms, and Board activities.

The Departments of Revenue and Public Safety and the Internal Revenue Service periodically contribute articles for the newsletter.



The *Lawful Gambling Manual* is a handy reference guide for CEO's, gambling managers, and organizations--whether new or experienced.

The *Manual* provides information on statute and rule requirements in an easy to understand format.

The *Manual* is divided into chapters that are easily referenced for:

- √ licensing requirements,
- √ conduct for each form of lawful gambling: pull-tabs, bingo, paddlewheels, tipboards, and raffles,
- √ managing gambling equipment inventory,
- √ guidelines for internal controls of the gambling operation including accounting and administrative controls, with a section on monthly oversight,
- √ how net receipts may be spent, and
- √ a comprehensive cross-reference index.

“Everything you always wanted to know about lawful gambling...” can be found on the Board’s web site at:



www.gcb.state.mn.us

BOARD INFORMATION



**Gambling
Control**

Minnesota Gambling Control Board

- ✓ Meeting dates and agenda
- ✓ Summary of monthly Board meetings

PUBLICATIONS

- Gaming News
- CEO Guidebook
- Illegal Gambling
- Lawful Gambling Manual
- Who May and May Not Play
- Raffle Ticket Requirements
- Bingo FAQ

LOCAL GOVERNMENT

- authority and restrictions
- local tax or investigation fee
- contribution fund
- reports

LINKS

- Links to other agencies
- Link to legislature
- E-mail links to staff

EDUCATION AND OTHER INFORMATION

“We’re here to help”



- Continuing education; training dates
- Request for mentoring
- Forms
- Lawful gambling statutes and rules
- List of licenses
 - nonprofit organizations
 - distributors and manufacturers
 - linked bingo game providers

Who May and May Not Participate as a Player

AGE RESTRICTIONS FOR PLAYERS

- A person must be age 18 and older to participate as a player in pull-tabs, tipboards, paddlewheels, and bingo.
- A person must be age 18 and older to purchase a raffle ticket or win a raffle prize.
- Exception: Persons under the age of 18 may participate as a player in bingo conducted by an exempt or excluded organization or at one bingo occasion conducted by a licensed organization as part of an annual community event if accompanied by a parent or guardian.

ORGANIZATIONS AND LESSORS

There are restrictions on playing lawful gambling for persons who are “involved in any gambling.” This includes selling, redeeming, auditing, depositing receipts, and tracking inventory. Use the information below to determine whether a person may participate.

	Pull-tabs and Tipboards	Paddlewheels	Non-bar Bingo	Bar Bingo	Raffles
Gambling manager - at any organization site	No	No	No	No	Yes
Organization's gambling employees or volunteers who are involved in any gambling at the site	No, unless the person is not involved in the sale of pull-tabs or tipboards at the site, and major pull-tab and tipboards prizes are posted The sale of pull-tabs and tipboards includes, but is not limited to: <ul style="list-style-type: none"> • selling tickets • redeeming winning tickets • auditing games • making deposits of receipts • performing inventory of games 	No	Yes, if the person is not involved in any gambling at the bingo occasion		Yes
Organization's gambling employees or volunteers who are not involved in any gambling at the site	Yes	Yes	Yes	Yes	Yes
Organization's or lessor's nongambling employees who are not involved in any gambling at the site	Yes, if major prizes are posted for pull-tabs and tipboards	Yes	Yes	Yes	Yes
Lessor's employees who are involved in any gambling at the site	No	No	No	Yes, if not involved in the conduct of bar bingo	No
Lessor's immediate family (spouse, child, parent, brother, or sister) at the lessor's site	No	No	No	Yes, if not involved in the conduct of bar bingo	No
Lessor at lessor's site	No	No	No	No	No

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This publication will be made available in alternative format
(large print, Braille) upon request.